# The Influence of forest certification on forest product trade

ZHENG Yang-nan, JIANG Min-yuan
*(College of Economic Management, Northeast Forestry University, Harbin 150040, P.R. China)*

**Abstract:** Forest certification is considered to be complementary to forest management policies and takes a significant effect on forest product trade. In recent decade, it has been followed with interest and approved by governments and forestry departments in the world. This paper analyzes the influence of forest certification on forest product trade in the world, including the interest in certification in exporting countries and importing countries, trade flow and business competition, and the demands for Certified Forest Products (CFPs) and also discusses the influence of forest certification on forest product trade in China.

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## Introduction

Forest certification can be described as "a certificate awarded by an independent party, verifying that the forests have been managed in accordance with principles of sustainability"(Eric Hansen *et al.* 2000). Certified forest products (CFPs) bear labels demonstrating in a verifiable manner that they come from forests which meet standards for sustainable management (Ewald Rametsteiner 2001). Forest product certification attempts to link international trade to the sustainable management of forest resources by encouraging users to purchase only products made from timber from sustainably managed forests. There are different approaches to forest certification, for example the ISO 14000 EMS, the Forest Stewardship Council (FSC) and the Pan-European Forest Certification System (PEFCS) at the international level, and a wide range of national and local schemes.

At present, there are still many different views on this subject and a number of basic questions relating to trade aspects that have not yet been satisfactorily answered. Some of the unresolved questions relating to trade include:

*What are the benefits to the producer countries of undertaking and/or encouraging certification?*

One of the basic issues at stake here, which is very much an open question at present, is whether consumers are concerned enough to make the purchase decision that the promoters of certification believe they should (and will).

*Are buyers willing to pay more for products from sustainably managed sources and thus meet (part of) the costs?*

There is little reliable evidence that consumers will pay higher prices for certified products, and therefore there is concern by producers that the costs involved in sustainable management will have to be borne by them.

*To what extent may certification pose an impediment to trade?*

There are concerns that certification will, in fact, act as a barrier to trade by discriminating either intentionally or unintentionally against those unable or unwilling to achieve the required forest management standards.

Even though most schemes would be voluntary, there are fears that certification will in reality be compulsory, since retailers may be unwilling to carry uncertified products, and even that consumers may switch to substitute products not made from (as is already occurring in some countries to a limited extent). There is also concern that certification may give consumers the impression that unlabelled products have bad environmental characteristics whether or not the product has been assessed.

*Are certification schemes discriminatory, especially against producers in developing countries?*

Certification schemes may favor industrialized countries where, at least at present, forest management practices tend to be closer to sustainability goals. Moreover, unless there is a degree of international harmonization, producers may be faced with different requirements in each market.

Although people have different views on CFPs, during the importing and exporting trade of forest products, they have realized the importance and challenge of CFPs (Hirsch, 2000).

## Forest certification in the world

### Interest in certification between importing countries and exporting countries

Interest is greatest in important importing countries in Europe, especially Germany, the Netherlands and the United Kingdom, where environmental groups are active and where some retail interests see a potential market advantage from providing certified products. By contrast, major Asia-Pacific import markets, such as Japan, Republic of Korea, and China, are showing little or no interest.

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**Biography:** ZHENG Yang-nann (1965-), female, associate professor in College of Foreign language of Northeast Forestry University, Harbin 150040, P.R. China
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Among exporters, interest in certification is limited to countries whose main export markets are showing greatest interest in the resource management conditions of their imports. Major exporting countries such as Canada, Malaysia, Indonesia and Nordic countries are actively developing their own certification schemes, both as a defensive market strategy and a means of improving their forest management practices. These moves by major forestry countries may encourage/force others to follow suit. The approach taken and the system favored differs with some favoring the FSC approach, while others are supporting one based on an International Organization for Standardization (ISO) system.

The aspect of certification of interest is whether certification does, or may, act as a trade barrier, not whether it contributes to improved forest management. While most schemes are essentially private, and outside international trade-rule obligations, some have links to government influence (Eric Hansen and Heikki Juslin 1999). Although many proponents argue that certification is not a trade restrictive practice, it seems to have many of the characteristics of one. In fact this is to a degree the very goal that the approach is trying to achieve—to encourage consumers to discriminate in favor of certain products (and therefore against others).

**Trade flow and business competition**

In manufacture and sale of forest products, because of the effective function of the buyers' environmental realization as well as the environmental non-governmental organization, governments have adopted trading activities to promote forest certification. Eight European countries, Austria, Belgium, Denmark, German, Luxembourg, the Netherlands, Switzerland and England, are the most sensitive countries to environment. They take the environmental property of products seriously. These countries are the mainly exporting countries in markets of forest products (Cabarle *et al.* 1995).

Since the emerging of forest certification and labeling, trade can be multifaceted, market setup should be pounded by the markets of environmental sensitivity. Some forest products that do not fulfill the environmental requirements would be withdrawn from markets. For example, African exporters are changing their markets to Asia. The possible reason is that the limitations of environmental protection in European markets are increasing apparently. Still it is difficult to evaluate the influence of Forest Certification to trade flow.

If Forest Certification is applied widely, it will influence the competition between the individual producers. Like the equality nature, some big companies will win in the competition while some other small corporations, especially some developing countries, will find themselves in an unfavorable position. In order to avoid exerting such influence, they should participate Forest Certification and adopt special measures to gain potential profits. This issue should be fully considered in criterion formulating and design of Forest Certification.

**Demand for certified forest products**

Despite the weak demand by consumers, some manufacturers are producing and some retailers are selling CFPs for other reasons than sheer economics. At the Timber Committee's September 1999 market discussion, Dr. Richard Vlosky (Louisiana State University, United States) stated that the "green premium" for producing and selling CFPs might not be in terms of higher prices, but of an improved image of the producer or retailer. The marketplace is changing rapidly for CFPs. Many manufacturers and forest owners (including governments) in the ECE region were resistant to certification initially, stating that they knew that their management was sustainable and the burden of certification would simply add an additional, non-retrievable cost. In the last few years, however, more forest managers and manufacturers have changed their opinions and now consider that certification may indeed have additional values, for examples as a communication and marketing tool. Likewise many trade associations that are involved with CFPs through their members welcome the public opportunities of certification to promote wood as an environmentally-friendly, renewable resources (GATT 1994).

Many (but not all) traditional forest sector actors, in western Europe and North America, including forest owners, forest industries and state forest services, have ceased to see certification as a threat and a burden imposed by "outsiders" (environmental non-governmental organizations). Now they see it rather as an opportunity to check and improve their own practices against objective criteria and to demonstrate to consumers and non-governmental organizations (NGOs) that their practices do in fact constitute for management.

Current market research shows a continued lack of awareness of environmental issues and certification. For example, sawmills on the West Cost of North America saw little environmental awareness in their most important customers. Nevertheless, respondents in the study did see good forest management as a source of competitive advantage.

The United Nations Intergovernmental Forum on Forests urged "countries, international organizations, including WTO and other interested parties to undertake as appropriate, further cooperative work on voluntary certification and/or labeling schemes, in line with the recommendations of Intergovernmental Panel on Forests, while seeking to enhance their international comparability and considering their equivalence, taking into account the diversity of national and regional situations, and to ensure adequate transparency and non-discrimination in the design and operation of such schemes, and are consistent with international obligations, so as to promote sustainable forest management and not to lead to unjustifiable obstacles to market access "(FAO 1994).

## Forest certification in China

As mentioned above, eight European countries are the most sensitive countries to environment, and their governments have adopted some relative actions to promote CFPs trade. When we study the influence of CFPs to the forest product trade in China, we should pay our attention to our exporting shares to these countries. China is one of the biggest countries in importing volumes of forest products in the world, but in recent years the exporting volumes of forest products especially furniture and plywood are increasing rapidly. In 2001, the exporting volume of plywood firstly exceeded the importing volume in China and has become a net exporting country in plywood. The furniture exporting volume has also increased speedily in recent years and has reached 36 billion in the year 2000. At present in China, there are 35 wood processing enterprises that have been certified by FSC. All these out-world oriented economic enterprises mainly export their furniture to Europe and America. In view of this, although Forest Certification does not have so much influence in the ordinary wood processing enterprises, it has a great impact on the exporting trade of out-world oriented economic enterprises. If these enterprises cannot adapt themselves to this situation promptly, they will gradually lose the international market shares that they have had in Europe and America, even if their products are of high quality and low price. In recent years, European Economic Community has formulated some specific policies to the importing goods including forest products, one aspect is that governments must buy products which the manufacturing process accords with the demands of EEC; the other aspect is that they adopt a so-called policy "trade encouraging arrangement", which means that when forest products be exported to EEC countries, if the manufacturing process accords with the demand of EEC, the products can enjoy some tariff discounts in proportion. Chinese government is asking for this "trade encouraging arrangement" from EEC. This points out that the volume of forest products exported to EEC has made Chinese government consider the environmental policy of EEC. One point is definite that if the Chinese forest products exported to EEC have FSC label, once China accedes to the "trade encouraging arrangement" of EEC, these forest products can enjoy tariff discounts in proportion. Undoubtedly, this is a very good opportunity for Chinese out-world oriented economic enterprises. They can not only keep their market share but also enjoy the preferential tariff.

In a word, the influence of Forest Certification to Chinese forest product trade is an opportunity as well as a challenge. To those who have good management on forest, they will have a wide foreign market, otherwise they will face a severe challenge if they want to export their products to the markets in European and America (Lu 2000).

## Conclusion

From the preceding discussion, it is clear that Certified Forest Products acts a very important part in forest product trade. The relationship between trade in forest products and the trade environment, particularly at the international level, is a complex, multifaceted subject. It is also one where the issues are two-way-from trade to the environment and from the environment to trade.

Certification is not a major cause of trade problems but policies that affect certification can have important implications in selected areas. If properly developed, there can be beneficial effects for trade.

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